

Message Text

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ACTION EUR-12

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LIMITED OFFICAL USE MADRID 6240

E.O. 11652: N/A
TAGS: EFIN, SP
SUBJECT: ONE BILLION DOLLAR BANK LOAN FOR SPAIN

REF: MADRID 6093 AND PREVIOUS

1. GOS ON AUGUST 17 IS EXPECTED TO DRAW FIRST TRANCHE OF \$250 MILLION UNDER \$1 BILLION LOAN SIGNED AUGUST 9. UNDER TERMS OF AGREEMENT GOS MAY AT ANY TIME DRAW UP TO THE ENTIRE AMOUNT UNDISBURSED. IT MUST DRAW AT LEAST \$250 MILLION BY SEPTEMBER 23 OR FORFEIT THAT AMOUNT. SIMILARLY IT MUST DRAW AT LEAST A FURTHER \$250 MILLION BY FEBRUARY 9, 1977, ANOTHER \$250 MILLION BY MAY 9 AND THE REMAINDER BY AUGUST 9. REPORTEDLY THE GOVERNMENT INTENDS TO TAKE \$500 MILLION IN 1976 AND THE REMAINDER IN 1977, BUT IT IS UNDERSTOOD THAT IF RESERVES DROP TOO MUCH BY THE ENDO OF THIS YEAR, IT MAY DRAW DOWN MORE THAN HALF OF THE TOTAL LOAN BY DECEMBER 31.

2. AS FINALLY PUT TOGETHER, THE DEAL INVOLVED SOME 63 BANKS, INCLUDING 17 LEAD BANKS WHICH ENDED UP TAKING \$627.3 MILLION (\$36.9 MILLION EACH) AND EIGHT SPANISH BANKS WITH \$110.7 MILLION (\$13.8 MILLION APIECE). THESE BANKS WERE COMMITTED TO TAKING \$50 MILLION AND \$18,750,000 RESPECTIVELY IN
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THE ABSENCE OF OTHER SUBSCRIBERS TO THE LOAN. OTHERS

IN THE SYNDICATE CONTRIBUTED \$262 MILLION ALTOGETHER IN AMOUNTS FROM \$20 MILLION (FIRST NATIONAL BANK OF CHICAGO) DOWN TO \$3 MILLION.

3. WHILE NOT WRITTEN INTO THE AGREEMENT, THERE IS A VERBAL COMMITMENT THAT NEITHER THE GOS NOR GOS AGENCIES OF ANY KIND WILL GO TO THE MARKET AGAIN BEFORE 1977. THIS WILL NOT PRECLUDE SOME SPECIALIZED FOREIGN BORROWING BY SEMI-AUTONOMOUS GOVERNMENT ENTITIES BUT DOES COVER THE NORMAL METHODS OF TAPPING INTERNATIONAL MONEY MARKETS.

4. THE REPRESENTATIVE OF ONE OF TWO LEAD BANKS IN SYNDICATE EXPRESSED SOMEWHAT RESERVED SATISFACTION WITH THE WAY THE DEAL WAS FINALLY WORKED OUT. THERE IS NO QUESTION THAT THE 17 PRINCIPALS HAD HOPED TO PLACE WITH OTHER FINANCIAL INSTITUTIONS MORE THAN \$262 MILLION. SOME 196 POTENTIAL LENDERS WERE APPROACHED, OF WHICH ONLY 38 FINALLY CHOSE TO PARTICIPATE. MANY APPARENTLY OBJECTED TO THE 1-3/8 MARGIN WHICH WAS CONSIDERED A MINIMAL INTEREST RATE. OTHERS STAYED OUT BECAUSE OF THE \$3 MILLION MINIMUM, AND WE WOULD SUPPOSE THAT OTHERS WERE CONCERNED BY WHAT THEY FELT TO BE AN UNCERTAIN ECONOMIC AND POLITICAL CLIMATE HERE. ON THE OTHER HAND, AND NOT SURPRISINGLY, MINFIN'S DIRECTOR GENERAL FOR FINANCIAL POLICY, WHO WAS PRINCIPAL GOS OFFICIAL INVOLVED IN THE LOAN, WAS MORE THAN PLEASED WITH THE WAY THINGS WENT.
STABLER

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